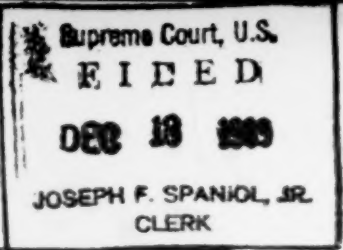


EDITOR'S NOTE

THE FOLLOWING PAGES WERE POOR HARD COPY  
AT THE TIME OF FILMING. IF AND WHEN A  
BETTER COPY CAN BE OBTAINED, A NEW FICHE  
WILL BE ISSUED.

89-971



No.

IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1989

---

---

RUSS BERRIE & CO., INC.,

*Petitioner,*

vs.

GEORGIA LEE MILLER ROULO,

*Respondent.*

---

---

**PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF  
APPEALS FOR THE SEVENTH CIRCUIT  
AND APPENDIX**

---

CHARLES A. LAFF  
LARRY L. SARET  
LAWRENCE R. ROBINS  
LAFF, WHITESEL, CONTE  
& SARET  
401 North Michigan Avenue  
Suite 2000  
Chicago, Illinois 60611  
(312) 661-2100

*Attorneys for Petitioner*



**QUESTIONS PRESENTED  
FOR REVIEW**

---

1. Does an assessment of substantial similarity for copyright infringement based on the "total concept and feel" of two works create constitutionally unacceptable vague boundaries of copyright protection?
2. Does Section 35(a) of the Lanham Act, 15 U.S.C. §1117(a), permit an accounting of profits in the absence of wilful infringement, passing off, confusion, diversion of trade, or actual damage?
3. Does the phrase "intent not to resume" as used in the definition of trademark abandonment in the Lanham Act, 15 U.S.C. §1127, mean intent not to resume use within the reasonably foreseeable future, rather than intent never to resume use?

Petitioner, Russ Berrie & Co., Inc., has no parent companies, subsidiaries or affiliates.



# TABLE OF CONTENTS

|   | PAGE |
|---|------|
| QUESTIONS PRESENTED FOR REVIEW ..                         | i    |
| TABLE OF CONTENTS .....                                   | ii   |
| TABLE OF AUTHORITIES .....                                | iv   |
| ABBREVIATIONS USED IN THIS PETITION .                     | viii |
| OPINIONS BELOW .....                                      | 1    |
| JURISDICTION .....  | 2    |
| CONSTITUTIONAL AND STATUTORY<br>PROVISIONS INVOLVED ..... | 3    |
| STATEMENT OF THE CASE .....                               | 3    |
| REASONS FOR GRANTING THE WRIT ....                        | 8    |

## I.

|  |   |
|--|---|
| BASING COPYRIGHT INFRINGEMENT ON<br>THE "TOTAL CONCEPT AND FEEL" OF<br>WORKS CREATES A CONSTITUTIONALLY<br>UNACCEPTABLE "CHILLING EFFECT" ON<br>LEGITIMATE COMPETITION AND THE IM-<br>ITATION OF UNPROTECTIBLE CONCEPTS<br>AND IDEAS ..... | 8 |
|--|---|

## II.

|   |    |
|---|----|
| IN THE ABSENCE OF WILFUL INFRINGE-<br>MENT, PASSING OFF, CONFUSION, DIVER-<br>SION OF TRADE OR ACTUAL DAMAGE, THE<br>SEVENTH CIRCUIT'S AFFIRMANCE OF AN<br>ACCOUNTING OF PROFITS UNDER SEC-<br>TION 35(a) OF THE LANHAM ACT, 15 U.S.C.<br>§1117(a), IMPROPERLY DEPARTS FROM ALL<br>PRECEDENT AND CREATES AN ENVIRON-<br>MENT WHICH WILL INHIBIT LEGITIMATE<br>COMPETITION ..... | 18 |
|---|----|

## III.

|  |    |
|--|----|
| THE PHRASE "INTENT NOT TO RESUME"<br>AS USED IN THE DEFINITION OF TRADE-<br>MARK ABANDONMENT IN THE LANHAM<br>ACT, 15 U.S.C. §1127, MEANS "INTENT NOT<br>TO RESUME USE WITHIN THE REASON-<br>ABLY FORESEEABLE FUTURE", RATHER<br>THAN THE SEVENTH CIRCUIT'S STAN-<br>DARD OF "INTENT NEVER TO RESUME<br>USE" ..... | 22 |
|--|----|

|                  |    |
|------------------|----|
| CONCLUSION ..... | 27 |
|------------------|----|

## APPENDICES

|   |      |
|---|------|
| A— Opinion of the Court of Appeals, October 2,<br>1989 .....  | A-1  |
| B— Judgment of the District Court, December 23,<br>1987 .....   | A-20 |
| C— Opinion of the District Court, June 10, 1988 .   | A-21 |
| D— Judgment of the Court of Appeals, October 3,<br>1989 .....   | A-24 |
| E— Order of the Court of Appeals, November 9,<br>1989 .....   | A-25 |
| F— The Lanham Act, 15 U.S.C., §§ 1058(a), 1059(a),<br>1111, 1117(a), 1125(a) and 1127; The Copyright<br>Act, 17 U.S.C., §§102(a), 102(b), 504 ..... | A-26 |

## TABLE OF AUTHORITIES

---

| CASES   | PAGE |
|---|------|
| <i>Aliotti v. R. Dakin &amp; Co.</i> , 831 F.2d 898 (9th Cir. 1987) .....                             | 10   |
| <i>American Home Products Corp. v. Barr Laboratories, Inc.</i> , 834 F.2d 368 (3d Cir. 1987) ...      | 20   |
| <i>Baker v. Simmons Company</i> , 325 F.2d 580 (1st Cir. 1963) .....                                  | 19   |
| <i>Bandag, Inc. v. Al Bolser's Tire Stores, Inc.</i> , 750 F.2d 903 (Fed. Cir. 1984) .....            | 18   |
| <i>Bevan v. Columbia Broadcasting System, Inc.</i> , 329 F. Supp. 601 (S.D.N.Y. 1971) .....           | 12   |
| <i>Broderbund Software, Inc. v. Unison World, Inc.</i> , 648 F. Supp. 1127 (N.D.Cal. 1986) .....      | 10   |
| <i>Champion Spark Plug Co. v. Sanders</i> , 331 U.S. 125, 67 S. Ct. 1136 (1947) .....                 | 18   |
| <i>Clamp Manufacturing Company v. Enco Manufacturing Company</i> , 870 F.2d 512 (9th Cir. 1989) ..... | 26   |
| <i>Data East USA, Inc. v. Epyx, Inc.</i> , 862 F.2d 204 (9th Cir. 1988) .....                         | 10   |
| <i>Eden Toys, Inc. v. Marshall Field &amp; Co.</i> , 675 F.2d 498 (2d Cir. 1982) .....                | 12   |
| <i>Foxtrap, Inc. v. Foxtrap, Inc.</i> , 671 F.2d 636 (D.C. Cir. 1982) .....                           | 18   |
| <i>General Electric Co. v. Speicher</i> , 877 F.2d 531 (7th Cir. 1988) .....                          | 19   |

|  |         |
|--|---------|
| <i>Harper House, Inc. v. Thomas Nelson, Inc.</i> , ____<br>F.2d ____, 12 USPQ 2d 1779 (9th Cir. 1989) ..                                   | 10, 11  |
| <i>Hartman v. Hallmark Cards, Inc.</i> , 833 F.2d 117<br>(8th Cir. 1987) .....   | 12      |
| <i>Intervet America, Inc. v. Kee-Vet Laboratories,<br/>Inc.</i> , 887 F.2d 1050 (Fed. Cir. 1989) .....                                     | 16      |
| <i>Jellibeans, Inc. v. Skating Clubs of Georgia, Inc.</i> ,<br>716 F.2d 833 (11th Cir. 1983) .....   | 20      |
| <i>Maier Brewing Co. v. Fleischmann Distilling<br/>Corp.</i> , 390 F.2d 117 (9th Cir.), <i>cert. denied</i> , 391<br>U.S. 966 (1968) ..... | 19      |
| <i>Maltina Corp. v. Cawby Bottling Co.</i> , 613 F.2d 582<br>(5th Cir. 1980) .....   | 19      |
| <i>McCulloch v. Albert E. Price, Inc.</i> , 823 F.2d 316<br>(9th Cir. 1987) .....  | 10      |
| <i>Nash v. CBS, Inc.</i> , 704 F. Supp. 823 (N.D.Ill.<br>1989) .....   | 12      |
| <i>New York Times Co. v. Sullivan</i> , 376 U.S. 254<br>(1964) .....   | 13      |
| <i>Nichols v. Universal Pictures Corp.</i> , 45 F.2d 119<br>(2d Cir. 1930), <i>cert. denied</i> , 282 U.S. 902 (1931) .                    | 9       |
| <i>Olson v. National Broadcasting Company</i> , 855<br>F.2d 1446 (9th Cir. 1988) .....   | 10      |
| <i>Otis Clapp &amp; Son, Inc. v. Filmore Vitamin Co.</i> ,<br>754 F.2d 738 (7th Cir. 1985) .....   | 19      |
| <i>Park 'N Fly Inc. v. Dollar Park &amp; Fly, Inc.</i> , 469<br>U.S. 189, 105 S. Ct. 658 (1985) .....                                      | —<br>25 |
| <i>Radio Shack Corp. v. Radio Shack, Inc.</i> , 180 F.2d<br>200 (7th Cir. 1950) .....  | 18      |

|  |            |
|--|------------|
| <i>Raxton Corp. v. Anania Associates, Inc.</i> , 668 F.2d 622 (1st Cir. 1982) .....                                      | 18         |
| <i>Reyher v. Children's Television Workshop</i> , 533 F.2d 87 (2d Cir.), <i>cert. denied</i> , 429 U.S. 980 (1976) ..... | 12         |
| <i>Roth Greeting Cards v. United Card Co.</i> , 429 F.2d 1106 (9th Cir. 1970) .....                                      | 10         |
| <i>Sheldon v. Metro-Goldwyn Pictures Corp.</i> , 309 U.S. 390 (1940) .....   | 13         |
| <i>Sid &amp; Marty Krofft Television Productions, Inc. v. McDonald's Corp.</i> , 562 F.2d 1157 (9th Cir. 1977) .....     | 10         |
| <i>Silverman v. CBS, Inc.</i> , 666 F. Supp. 575 (S.D.N.Y. 1987) .....   | 22         |
| <i>Silverman v. CBS, Inc.</i> , 870 F.2d 40 (2d Cir.), <i>cert. denied</i> , 109 S. Ct. 3219 (1989) .....                | 22, 23, 25 |
| <i>Square D Co. v. Sorenson</i> , 224 F.2d 61 (7th Cir. 1955) .....  | 18         |
| <i>Unital, Ltd. v. Sleepco Mfg., Ltd.</i> , 627 F. Supp. 285 (W.D. Wash. 1985) .....                                     | 24         |
| <i>United States v. United States Gypsum Co.</i> , 438 U.S. 422 (1978) .....   | 21         |
| <i>W.T. Rogers Co., Inc. v. Keene</i> , 778 F.2d 334 (7th Cir. 1985) .....   | 26         |
| <i>Walker v. Time Life Films, Inc.</i> , 784 F.2d 44 (2d Cir.), <i>cert. denied</i> , 476 U.S. 1159 (1986) ....          | 12         |
| <i>Warner Bros., Inc. v. American Broadcasting Cos., Inc.</i> , 654 F.2d 204 (2d Cir. 1981) .....                        | 12         |
| <i>Warner Bros., Inc. v. American Broadcasting Cos., Inc.</i> , 720 F.2d 231 (2d Cir. 1983) .....                        | 12         |

|  |    |
|--|----|
| <i>Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.</i> , 797 F.2d 1222 (3rd Cir. 1986), <i>cert. denied</i> , 479 U.S. 1031 (1987) ..... | 12 |
| <i>Yentsch v. Texaco, Inc.</i> , 630 F.2d 46 (2d Cir. 1980) .  | 17 |

#### CONSTITUTIONAL AND STATUTORY PROVISIONS

|   |           |
|---|-----------|
| United States Constitution, Article I, Section 8, cl. 8 ..... | 3         |
| 15 U.S.C. §1058(a) .....                                      | 3, 24     |
| 15 U.S.C. §1059(a) .....                                      | 3, 24     |
| 15 U.S.C. §1111 .....   | 3, 25     |
| 15 U.S.C. §1117(a) .....                                      | 3, 19, 20 |
| 15 U.S.C. §1125(a) .....                                      | 3, 21, 26 |
| 15 U.S.C. §1127 .....   | 3, 22, 23 |
| 17 U.S.C. §102(a) .....                                       | 3         |
| 17 U.S.C. §102(b) .....                                       | 3, 15, 16 |
| 17 U.S.C. §504 .....  | 3, 13     |
| 28 U.S.C. §1254(1) .....                                      | 2         |
| 28 U.S.C. §1331 .....   | 3         |
| 28 U.S.C. §1332 .....   | 3         |
| 28 U.S.C. §1338 .....   | 3         |
| 28 U.S.C. §2101(c) .....                                      | 2         |
| 37 C.F.R. §202.1 .....  | 16        |

## OTHER AUTHORITIES

|   |            |
|---|------------|
| Copyright Office <i>Compendium II</i> sections 305.06,<br>305.07, 308.04, 503.02, 506, 506.01 and 506.03<br>(1984) .....  | 16         |
| 3 M. Nimmer, <i>Nimmer On Copyrights</i> , §13.03[E]<br>(1989) .....  | 12         |
| Cohen, <i>Masking Copyright Decisionmaking: The<br/>Meaninglessness of Substantial Similarity</i> , 20<br>U.C.D. L. Rev. 719 (1987) .....   | 12         |
| Yen, Alfred C., <i>A First Amendment Perspective<br/>on the Idea/Expression Dichotomy and Copy-<br/>right in a Work's "Total Concept and Feel"</i> ,<br>38 Emory Law Journal 393 (1989) ..... | 13, 14, 15 |

**ABBREVIATIONS USED  
IN THIS PETITION**

---

A-\_\_\_\_: Pages of the Appendix to this Petition

IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1989

---

---

**RUSS BERRIE & CO., INC.,**

*Petitioner,*

VS.

**GEORGIA LEE MILLER ROULO,**

*Respondent.*

---

---

**PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF  
APPEALS FOR THE SEVENTH CIRCUIT  
AND APPENDIX**

---

Petitioner, Russ Berrie & Company, Inc., requests that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in this proceeding on October 3, 1989, affirming the judgment of the United States District Court for the Northern District of Illinois.

**OPINIONS BELOW**

---

The original action was tried before a jury in the United States District Court for the Northern District of Illinois. On December 23, 1987, pursuant to jury verdicts against



defendant, Russ Berrie & Co., Inc., on the issues of liability and damages, the Court entered judgment in favor of plaintiff, Georgia Lee Miller Roulo, and awarded plaintiff \$4.3 million (A-20).

The United States Court of Appeals for the Seventh Circuit affirmed the judgment of the District Court on October 3, 1989. The Opinion of the Court of Appeals is reported at 886 F.2d 931 (7th Cir. 1989) (A-1). On November 9, 1989, the Court of Appeals denied defendant-appellant Russ Berrie & Co., Inc.'s Petition for Rehearing *En Banc* (A-25).

## JURISDICTION

---

This Petition for a Writ of Certiorari to review the judgment of the Court of Appeals entered on October 3, 1989, is being filed within ninety (90) days of that judgment and the denial of the Petition for Rehearing.

The jurisdiction of this Court is based upon 28 U.S.C. §§1254(1) and 2101(c).

## CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

---

Article I, Section 8, cl. 8, of the U.S. Constitution provides that:

The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The Lanham Act, 15 U.S.C., §§1058(a), 1059(a), 1111, 1117(a), 1125(a) and 1127 are set forth in the Appendix (A-26).

The Copyright Act, 17 U.S.C., §§102(a) and (b) and 504 are set forth in the Appendix (A-29).

## STATEMENT OF THE CASE

---

This case involves claims of trade dress and copyright infringement arising under the Copyright Act (17 U.S.C. §§101 et seq.) and the Lanham Act (15 U.S.C. §§1051 et seq.), respectively. Jurisdiction in the district court was based on 28 U.S.C. §§1331, 1332 and 1338. Plaintiff, Georgia Lee Miller ROULO ("ROULO"), alleged in two counts that defendant, Russ BERRIE & Co., Inc. ("BERRIE") infringed her copyright and trade dress rights in a greeting card line known as "Feeling Sensitive" ("FS") by marketing a line of greeting cards known as "Touching You" ("TY"). BERRIE denied infringement.

ROULO created her FS cards in 1976 and began marketing them in July 1977. The FS cards are single-faced cards, each containing a sentimental message, such

as "I want to shout and tell the world how much I love you . . . but instead I'll just . . . whisper". The messages are written in ROULO's handwriting with brown ink and frequently contain ellipses. They appear on the cards between two bold-colored symmetrical striped borders, each consisting of four stripes—two silver foil stripes enveloping one brown and one colored stripe. ROULO obtained a United States Copyright Registration, No. A877721, entitled FEELING SENSITIVE, for this card set and an accompanying header.

ROULO marketed the cards in four-sided, 32-card, rotating chrome display racks, a common device employed by other greeting card companies. To display the cards, ROULO used colorways, a common technique used by BERRIE several years before ROULO designed the FS product, in which cards having the same color scheme are displayed on the same side. ROULO also marketed the FS cards with a removable identification card or "header" to be displayed on the top of the rack; this, too, being an ordinary marketing technique. The header contained a sketched portrait of ROULO, the name "Georgia Roulo" adjacent to the portrait, and the expression "A lost and found department for those with feelings . . . in search of the words". This header, however, is not the same as the one included in ROULO's copyright involved in this suit. ROULO's marketing efforts resulted in sales of between \$15,000 and \$30,000 for an approximately one-year period.

BERRIE manufactures, imports and sells plush toy animals, greeting cards and other gift items to stationery and gift stores and similar retail outlets. BERRIE and its trademarks RUSS and the butterfly design are well known to the gift, stationery and plush animal field, as well as to consumers.

In 1977, BERRIE entered into a two-year distribution contract with ROULO that gave BERRIE the exclusive right to manufacture, distribute and sell the FS cards in exchange for 10% of the sales of FS cards. From approximately April 1978 to April 1980 BERRIE manufactured, distributed and sold the FS card line to retailers throughout the United States. BERRIE's marketing efforts resulted in sales of approximately \$1.3 million and royalties to ROULO of \$130,000.

Despite BERRIE's success, ROULO refused to renew the contract. In late 1979, when BERRIE realized that ROULO was not going to renew the contract, it developed its own line of single-faced sentimental greeting cards, called "Touching You", to substitute for the FS product. While BERRIE's cards were the same size as ROULO's and employed handwritten messages and vertical strips, BERRIE's messages were independently created and ROULO admitted that they were not copied from her. Undisputed survey and other evidence at trial proved that the messages were by far the most important feature of the greeting cards, constituting over 60% of their overall value.

The artwork for BERRIE's TY cards was also different from ROULO's in that it consisted of two simple soft-colored narrow stripes on the left side, a single narrow colored stripe on the right side of each card and also a brightly colored embossed foil butterfly superimposed over the two left-side stripes, giving an asymmetrical look to the cards. The TY cards were displayed, like ROULO's, in conventional four-sided, 32-card racks with each side displaying a single color scheme, but the racks were brass, rather than chrome. A removable header mounted on the top of each rack did not contain a sketched portrait of anyone, but instead contained a blow-up of a TY card,

prominently displayed the name "TOUCHING YOU" and BERRIE's butterfly logo, and clearly identified BERRIE as the source of the cards.

ROULO became aware of BERRIE's TY cards in July 1980. The TY cards were then being test marketed and sales were small. At that time ROULO spoke to BERRIE's president, but did not object to the TY cards. Subsequently, the TY cards were launched nationally through BERRIE's sales force. By April 1982, when ROULO voiced her first objection to the TY cards by filing this suit, TY sales amounted to approximately \$2.1 million.

After the BERRIE-ROULO contract expired in April 1980, ROULO abandoned all efforts to market her FS cards. She declined to purchase BERRIE's remaining inventory of FS greeting cards and instead sought to publish a book, a venture which later failed. In January 1981 ROULO marketed a different line of "Feeling Sensitive" cards which were single-faced, employed border strips and handwritten messages, but did not embody her copyright or trade dress. This venture also failed and in 1983 ROULO ceased all efforts to market greeting cards. ROULO designed still another line of greeting cards called "Especially For You" and met with greeting card manufacturers in an effort to interest them in this product. She never offered the original FS product to these manufacturers or anyone else.

ROULO's action was tried to a jury in a bifurcated trial of liability and damages. The jury returned a verdict in ROULO's favor on both the trade dress and copyright infringement counts. The trial judge concluded that the protected copyright material was the same thing as the trade dress and, thus, felt that the "total concept and feel" comparison applied to both counts. Therefore, he

allowed ROULO to use all points of similarity between FS and TY to apply to both counts and, over BERRIE's objection, permitted the jury to render a single damage verdict in the damage phase of the trial. The jury's award of \$4.3 million amounted to about 75% of BERRIE's gross sales of \$5.9 million and consisted of practically all of BERRIE's gross profits from the sale of its TY cards. While the trial court recognized that the success of TY was a result of BERRIE being "a terrific marketer of goods" and that ROULO would not have "enjoyed anywhere near the sales success" of TY had she continued to market her FS line, he refused to disturb the damage award.

The Seventh Circuit affirmed, holding that ROULO's trade dress in the FS cards was distinctive, obviating ROULO's need to show secondary meaning; that BERRIE's TY cards infringed this trade dress; and that the jury's special verdict finding no abandonment of this trade dress was not against the weight of the evidence (A-5, 8,10). The appellate court also held that, while the individual elements of the cards, such as the size, the color, the ink, the border designs, the use of stripes, the ellipses and the single-sided format, were not protectible under the copyright laws, the jury properly found substantial similarity between the FS and TY cards given the fact that ROULO's copyrighted work consisted of the combination of all of these common elements (A-12). In addition, the appellate court held that, although ROULO failed to prove actual damage or diversion of trade from BERRIE'S conduct or that BERRIE wilfully or intentionally infringed ROULO's trade dress in the FS cards, the district judge's refusal to direct a verdict for BERRIE on the issue of damages and profits on the trade dress count was not an abuse of discretion (A-15).

The Seventh Circuit dismissed ROULO's cross-appeal seeking an award of attorney's fees, holding that awarding fees "would serve only to sanction the defendant which is inappropriate where the infringement was not wilful."

## REASONS FOR GRANTING THE WRIT

---

### I.

**BASING COPYRIGHT INFRINGEMENT ON THE "TOTAL CONCEPT AND FEEL" OF WORKS CREATES A CONSTITUTIONALLY UNACCEPTABLE "CHILLING EFFECT" ON LEGITIMATE COMPETITION AND THE IMITATION OF UNPROTECTIBLE CONCEPTS AND IDEAS.**

The Seventh Circuit decision broadens copyright protection beyond its constitutional limits by sanctioning a comparison of the "total concept and feel" of the protected and accused works in order to determine substantial similarity and consequent copyright infringement. This upsets the balance between the need to encourage innovation or creativity and the avoidance of monopolies which stifle competition without any concomitant advance in the "Progress of Science and useful Arts." The decision also stifles free expression as guaranteed by the First Amendment by creating an amorphous boundary between unprotectible concepts and protectible expression.

Additionally, the Seventh Circuit's decision conflicts with the most recent pronouncements of the Ninth Circuit on the need for the trier of fact (judge or jury) to distinguish between protectible and unprotectible material and to consider only the protectible material in assessing substantial similarity.



This Court should consequently grant certiorari to eliminate the “total concept and feel” test, restore proper boundaries and balance to the scope of copyright protection, and resolve the conflict between the Seventh and Ninth Circuits.

To demonstrate infringement, a plaintiff must establish (1) that it owns the copyright, (2) that the defendant has access to the copyrighted work, and (3) that there was substantial similarity between the two works. Only the third element of the test is involved here.

In determining substantial similarity, the Seventh Circuit states that infringement exists only where *protected* elements of the work are copied, but it also states that dissection of the subject matter into copyrighted and unprotected elements is generally rejected in favor of examining the “total concept and feel” of the copyrighted work (A-11). The Seventh Circuit says that dissection is inappropriate since the substantial similarity inquiry is conducted from the perspective of the “ordinary observer” (A-11). Thus, the Seventh Circuit approved a jury instruction, objected to by BERRIE, which told the jury that, even though the works contained many similar unprotectible elements, the jury “must decide whether the accused work has captured the total concept and feel of the copyrighted work.”

In the landmark decision of *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930), *cert. denied* 282 U.S. 902 (1931), Judge Learned Hand denied a claim for copyright infringement and articulated his famous “abstractions test” to draw the line between copyrightable expression and unprotectible ideas. He recognized that abstract, non-literal claims of copyright were likely to stretch the scope of copyright beyond desirable limits and



that abstract aspects of works should therefore be considered ideas. In spite of Judge Hand's concerns, the Ninth Circuit in *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106 (9th Cir. 1970), and *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977), initiated a line of cases<sup>1</sup> which permitted the enforcement of vague and general claims of copyright infringement, such as the one involved here. The Ninth Circuit in applying the ordinary observer test found substantial similarity because the plaintiff's and defendant's works shared the same "total concept and feel".

The Ninth Circuit in recent decisions has attempted to limit the "total concept and feel" analysis by holding that similarities should be dissected between protectible and unprotectible elements before the works are compared. *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204, 208 (9th Cir. 1988); *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 901 (9th Cir. 1987). The need to dissect between protectible and unprotectible material is greater in a jury trial in order to be certain that the jury limits its comparison of the works to protectible material. *Harper House, Inc. v. Thomas Nelson, Inc.*, \_\_\_\_ F.2d \_\_\_\_, 12 USPQ 2d 1779, 1788 (9th Cir. 1989); *Olson v. National Broadcasting Company*, 855 F.2d 1446, 1453 (9th Cir. 1988) (j.n.o.v. affirmed where analytic dissection of similarities revealed that similarities arose from unprotectible elements).

In *Harper House*, a jury verdict of copyright infringement was vacated by the appellate court because the trial court's instructions on copyrightability and infringement

<sup>1</sup> *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316 (9th Cir. 1987); *Broderbund Software, Inc. v. Unison World, Inc.*, 648 F. Supp. 1127 (N.D. Cal. 1986).

were not adequate to insure that the jury fully understood the issues. The jury was instructed to determine “whether the ordinary reasonable person would find the *total impact and effect* of defendant’s work substantially similar to plaintiff’s work” and, in comparing the works, to “consider and compare the contents of each of the works as a whole” and to “not simply focus on isolated elements of each work to the exclusion of the other elements, combination of elements and expressions therein.” This instruction was held improper because the “total impact and effect” test was highly subjective and the instruction invited the jury to consider the works as a whole, possibly leading the jury to focus on whether the two works looked alike, not on whether defendants copied protectible expression. The Ninth Circuit stated that:

though the instructions cautioned that the jury limit its review to protectable material, this caution was of little value because these instructions did not adequately explain to the jury which material was, in fact, protectable. In a case such as this, given the negative connotations to ‘copying’ there was an obvious risk of an improper verdict for plaintiffs, and a need for further instructions to protect legitimate activity and avoid the suffocation of competition. 12 USPQ 2d at 1788.

The Seventh Circuit’s decision conflicts with these recent Ninth Circuit decisions, particularly *Harper House*, because the Seventh Circuit says that dissection of similarities between protectible and unprotectible elements is inappropriate and further allows the highly subjective and vague “total concept and feel” test to be employed without sufficient, indeed any, instructions to focus the jury’s attention on the protectible elements of the copyrighted work.

BERRIE's research has found that only the Seventh and Ninth Circuits have applied a "total concept and feel" test to find infringement. The other circuits that mention such a standard have not employed it to find infringement. See *Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117 (8th Cir. 1987); *Walker v. Time Life Films, Inc.*, 784 F.2d 44 (2d Cir.), *cert. denied*, 476 U.S. 1159 (1986); *Warner Bros., Inc. v. American Broadcasting Cos., Inc.*, 720 F.2d 231 (2d Cir. 1983); *Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498 (2d Cir. 1982); *Warner Bros., Inc. v. American Broadcasting Cos., Inc.*, 654 F.2d 204 (2d Cir. 1981); *Reyher v. Children's Television Workshop*, 533 F.2d 87 (2d Cir.), *cert. denied*, 429 U.S. 980 (1976). Also, see *Nash v. CBS, Inc.*, 704 F. Supp. 823, 826 (N.D.Ill. 1989) ("total concept and feel" test not applied to compare an accused television show to copyrighted books, because this would require a consideration of the books in their entirety, including their unprotected portions).

The "ordinary observer" test itself has been criticized by commentators and rejected by some courts. 3 M. Nimmer, *Nimmer on Copyrights* §13.03[E] (1989); Cohen, *Masking Copyright Decisionmaking: The Meaninglessness of Substantial Similarity*, 20 U.C.D. L. Rev. 719 (1987); *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222, 1232-33 (3rd Cir. 1986) *cert. denied* 479 U.S. 1031 (1987); *Bevan v. Columbia Broadcasting System, Inc.*, 329 F. Supp. 601, 607 (S.D.N.Y. 1971) (the "ordinary observer" test not applied where "non-protectible similarities are so pervasive"). Engrafting a "total concept and feel" standard on the already troublesome "ordinary observer" test only compounds the problem. Jurors acting as "ordinary observers" are not well-suited to the task of keeping expression and ideas separate in determining substantial similarity. To ask them to make such

a determination by comparing the “total concept and feel” of two works greatly increases the likelihood that unprotectible material will be improperly considered and compared. It also virtually assures that the jury will not correctly apportion the profits of the infringer that are “attributable to the infringement,” as required by 17 U.S.C. §504 and *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940).

In this case, the messages of the greeting cards indisputably comprised the greatest and most important portion of the copyrighted expression, yet the magnitude of the jury’s award indicates that it ignored the fact that BERRIE did not copy any of ROULO’s messages. The jury merely considered the overall appearance of the cards, as they were instructed to do when told to consider the “total concept and feel”. The overall appearance necessarily included the many unprotectible similarities, such as card size and shape, color, cursive script, etc. A jury result, like the one here, is preordained whenever a “total concept and feel” test is applied to works containing numerous similarities of unprotectible features, since the test ignores the details of what actually was imitated and fails to dissect the protected from the unprotected features.

A recent law review article discusses the “chilling effect” which results from the cases that protect a copyrighted work’s “total concept and feel”. Alfred C. Yen, *A First Amendment Perspective on the Idea/Expression Dichotomy and Copyright in a Work’s “Total Concept and Feel,”* 38 Emory Law Journal 393 (1989). Professor Yen compared the “total concept and feel” copyright cases to the Supreme Court’s libel analysis in *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964), where the standards required to support a libel claim were raised to reduce

the chilling effect on free expression caused by the fear of the huge monetary awards and costs of libel litigation. Professor Yen points out that, just as a jury may reject a defendant's interpretation of the truth no matter how careful the defendant has been, it likewise might perceive the "total concept and feel" of the copyright owner's work differently from the defendant's perception. Thus, even if a defendant genuinely believed that it had not copied the "total concept and feel" of plaintiff's work, defendant still would have to worry about the perceptions of the jury and the burdensome costs of litigating a copyright suit, as well as the very real possibility of being required to disgorge gross profits.

Professor Yen believes that the uncertainty faced by prospective copyright defendants is even worse than that faced by prospective libel defendants. In libel, the jury considers the issue of truth, and average jurors regularly deal with the concept of truth, so that human experience furnishes a common basis for deciding whether a defamatory statement is true or false. By contrast, jurors and litigants involved in a "total concept and feel" copyright case will never have confronted this notion before. Thus, a defendant will have no idea whether what it perceives as being the "total concept and feel" of the plaintiff's work is also what the jury perceives is the "total concept and feel." And, as was the case here, the trial court's failure to define "total concept and feel" aggravates this problem.<sup>2</sup> Thus, Professor Yen states:

---

<sup>2</sup> BERRIE asked the trial court to give several jury instructions on permissible copying which would have better defined the amorphous boundaries of the "total concept and feel" standard, but these instructions were refused over BERRIE's objection.

Since there is no common basis for deciding what the 'total concept and feel' of a work is, let alone what it means for two works to have substantially the same 'total concept and feel,' a prospective copyright defendant in a case like *Krofft* will have absolutely no idea whether she will win or lose an infringement case.

\* \* \*

*Krofft's* first amendment problems are matched by those created by *Roth*. Like *H. R. Pufnstuf*, popular greeting cards are widely known among the public . . . . This means that a designer who intends to create cards to compete . . . could not defeat a copyright suit by claiming that she had never seen the original. More importantly, a designer could go crazy trying to decide if her cards avoided the same moods captured in other cards. 38 *Emory Law Journal* at 426-8.

Professor Yen concludes that "total concept and feel" protection is unconstitutional unless copyright doctrine contains a meaningful limit on how far such protection can go. "This limit would prevent copyright from deterring the very speech it was meant to encourage". 38 *Emory Law Journal* at 428.

The "total concept and feel" test runs counter to 17 U.S.C. §102(b), which was not part of the 1909 Copyright Act in force when *Roth* and *Krofft* were decided. That section states:

In no case does copyright protection for an original work of authorship extend to any . . . *concept* . . . (emphasis added).

Since copyright protection does not extend to a "concept," a test for infringement based on the imitation of the "total *concept* and feel" gives protection to aspects of copyrighted works which were never intended to be



protected, and grants awards to authors that far exceed the authors' contributions to "Science and useful Arts". Moreover, it is impossible for a jury to draw an appropriate line between protectible expression and unprotectible idea or concept when they are told that concepts are unprotectible, but that infringement exists when works share the same "total concept and feel".

Had ROULO sought to register a copyright in her greeting cards without the words, she would have been denied registration. 17 U.S.C. §102(b); 37 C.F.R. §202.1; Copyright Office *Compendium II*, sections 305.06, 305.07, 308.04, 503.02, 504.02, 506, 506.01 and 506.03 (1984). ROULO, however, registered her greeting cards *with* the words. When it came to proving infringement, ROULO convinced the trial judge, jury, and the Seventh Circuit that the mere presence of *any* words was sufficient for infringement so long as the cards were similar in "total concept and feel." In short, ROULO's copyright was given one construction for purposes of registration and another broader construction for purposes of infringement. Compare *Intervet America, Inc. v. Kee-Vet Laboratories, Inc.*, 887 F.2d 1050, 1053 (Fed. Cir. 1989) (patent claims must be given the same construction when considering validity as when considering infringement). This kind of result is inevitable when so vague a standard as "total concept and feel" is employed to assess substantial similarity.

Since the trial court and jury did not dissect the protected from the unprotected similarities, infringement was a forgone conclusion because the unprotected similarities greatly outnumber and overshadow the protected similarities. Here, features, such as the size of card, color of paper and ink, etc., were *emphasized* by ROULO as part of the "total concept and feel", when they should have

been excluded altogether from consideration of infringement. In fact, other non-copyrightable features, such as the number of cards in the set, the use of a four-sided free-standing wire rack, and the colorways formed by the arrangement of the cards on the rack, likewise were emphasized by ROULO and undoubtedly were also considered in the jury's "total concept and feel" determination. Indeed, the trial judge thought that "the protected copyright material is the same thing as the trade dress," which led to his permitting a single damage verdict for the separate counts of infringement of copyright and trade dress.<sup>3</sup>

The vagueness of the "total concept and feel" test creates an uncertainty as to what copying is prohibited. This uncertainty is magnified when a copyright claim can be combined with a nonspecific trade dress claim without any clear delineation of these two distinct forms of intellectual property. The result is a chilling effect, which is likely to force competitors to forego their right to imitate concepts and upset the delicate balance between legal monopoly and free expression established by the Copyright Clause and First Amendment. This has dangerous anticompetitive implications for the creation of new literary works, computer software, and video works, among others. The Seventh Circuit's opinion establishes an ominous precedent for the determination of substantial similarity in future copyright cases, especially by juries, and will deter authors and others from entirely lawful competition and copying of unprotected and public domain material.

---

<sup>3</sup> This single verdict compels reversal of the entire damage verdict if one of the liability verdicts is insufficiently supported by evidence or law or an accounting is improper under either the copyright or trade dress count. *Yentsch v. Texaco, Inc.*, 630 F.2d 46, 59 (2d Cir. 1980).



## II.

**IN THE ABSENCE OF WILFUL INFRINGEMENT, PASSING OFF, CONFUSION, DIVERSION OF TRADE OR ACTUAL DAMAGE, THE SEVENTH CIRCUIT'S AFFIRMANCE OF AN ACCOUNTING OF PROFITS UNDER SECTION 35(a) OF THE LANHAM ACT, 15 U.S.C. §1117(a), IMPROPERLY DEPARTS FROM ALL PRECEDENT AND CREATES AN ENVIRONMENT WHICH WILL INHIBIT LEGITIMATE COMPETITION.**

In affirming an accounting under the Lanham Act where there was no confusion, diversion of trade, wilful infringement, passing off or intent to trade on the plaintiff's goodwill, and no actual damage to plaintiff, the Seventh Circuit's decision conflicts with its own prior decisions and all prior decisions of this Court and the other circuits that have confronted this issue. E.g., *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130, 67 S. Ct. 1136, 1139 (1947) (accounting denied in the absence of fraud or palming off); *Square D Co. v. Sorenson*, 224 F.2d 61, 65-66 (7th Cir. 1955) (no accounting without fraud or palming off); *Radio Shack Corp. v. Radio Shack, Inc.*, 180 F.2d 200, 207 (7th Cir. 1950) (no accounting without palming off or fraud); *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 919 (Fed. Cir. 1984) (no accounting without fraud, and due to unrefuted innocent use by defendant and no loss of business or profits by the plaintiff); *Foxtrap, Inc. v. Foxtrap, Inc.*, 671 F.2d 636, 641 (D.C. Cir. 1982) (no accounting without a "relatively egregious display of bad faith", wilful infringement, or, under an unjust enrichment theory, without diversion of sales); *Raxton Corp. v. Anania Associates, Inc.*, 668 F.2d 622, 625 (1st Cir. 1982) (accounting "not authorized" under the Lanham Act without direct competition or actual damages).

Indeed, the Seventh Circuit, itself, has recently stated:

If the defendant is a more efficient producer than the plaintiff, his profits will exceed the plaintiff's losses, so an automatic award of profits in a trademark infringement case could confer a windfall on the plaintiff. This is fine if the defendant is a deliberate infringer, but questionable if he is an innocent one.

*General Electric Co. v. Speicher*, 877 F.2d 531, 535 (7th Cir. 1988).

The cases on which the Seventh Circuit relied to justify the accounting under the Lanham Act included a finding that either the plaintiff had been damaged by a diversion of trade or the defendant acted wilfully, maliciously and with the intent to trade on the plaintiff's goodwill. *Otis Clapp & Son, Inc. v. Filmore Vitamin Co.*, 754 F.2d 738, 744 (7th Cir. 1985); *Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582, 585 (5th Cir. 1980); *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 121 (9th Cir.), cert. denied, 391 U.S. 966 (1968); *Baker v. Simmons Company*, 325 F.2d 580, 582 (1st Cir. 1963). None of these elements were present in this case.

Section 35(a) of the Lanham Act, 15 U.S.C. §1117(a), subjects all monetary awards to the principles of equity and gives the court discretion to raise and lower the sum awarded by the jury. In this case, both the trial and appellate courts recognized that ROULO received a tremendous windfall and that ROULO would not have enjoyed anywhere near the sales success of BERRIE's Touching You line had she continued to market the first Feeling Sensitive line (A-18). This, coupled with the trial court's ruling that BERRIE did not intend to trade off of ROULO's goodwill and did not intend to infringe or injure ROULO, mandated a denial of an accounting. The Lanham Act addresses both this windfall and the concomitant inequitable

profits award by requiring that an award of damages or profits shall "constitute compensation and not a penalty." 15 U.S.C. §1117(a).

The Seventh Circuit, recognizing implicitly that the wind-fall profit award would be inequitable without any basis other than an innocent infringement, seeks to invoke an "intent to imitate" standard to justify the award (A-15). There is no precedent for this and it conflicts with the paramount national economic policy which promotes effective competition. The right to copy or imitate successful products is an important facet of the right to compete; hence, imitation is generally favored in the law, with the patent, copyright and trademark laws representing the exception, not the rule.

While the "intent to imitate" standard has been employed to aid in the determination of likelihood of confusion, it has never been the sole basis for an accounting of profits under the Lanham Act. See, e.g., *American Home Products Corp. v. Barr Laboratories, Inc.*, 834 F.2d 368, 371 (3d Cir. 1987); *Jellibeans, Inc. v. Skating Clubs of Georgia, Inc.*, 716 F.2d 833, 847 (11th Cir. 1983). In *American Home Products*, the Court held that proof of intentional imitation alone is insufficient to invoke a presumption of likelihood of confusion. *American Home Products*, 834 F.2d at 371. In *Jellibeans*, the Court ruled that the intent to imitate a successful mark is not equivalent to malicious, fraudulent, wilful or deliberate infringement and affirmed the denial of attorneys' fees to the successful plaintiff. *Jellibeans*, 716 F.2d at 847. Since intent to imitate alone is insufficient to form the basis of an award of attorneys' fees, it is likewise insufficient to form the exclusive basis for an accounting of profits.

The decision also cannot be justified on a deterrence theory. Deterrence presupposes wilfulness, i.e., the ex-

istence of a culpable state of mind. This condition is absent here. BERRIE believed it had a right to imitate ROULO's concept so long as it did not copy her expression, which BERRIE believed was limited to the messages of the greeting cards. BERRIE also sold its cards under its own trademarks and name and, as the trial court found, did not attempt to trade on ROULO's alleged goodwill. In fact, it was only after this case was filed that BERRIE learned that ROULO claimed any trade dress rights in her card line; and both at trial and on appeal, ROULO never identified the specific trade dress. Indeed, neither the trial court nor appellate court define the specific features of the card line that make up the trade dress. Additionally, ROULO failed to register the alleged trade dress with the U.S. Patent and Trademark Office or indicate on her products, in advertising, or in any other way that she claimed trademark or trade dress rights in any aspect of the card line.

The Seventh Circuit's affirmance of the award of profits conflicts with the national policy favoring competition. Given the current trend toward granting broader protection for unregistered trade dress and product configurations under §43(a) of the Lanham Act, 15 U.S.C. §1125(a), the spectre of profit disgorgement, even where infringement is not wilful and causes no actual injury to the trade dress owner, is likely to drastically curtail legitimate competition and the imitation of heretofore unprotectible ideas and concepts. Salutory and pro-competitive conduct lying close to the unmarked borderline of impermissible conduct will be shunned by the businessmen who choose to be cautious in the face of such uncertainty and potential liability. *Cf. United States v. United States Gypsum Co.* 438 U.S. 422, 440-42 (1978). This disserves the public interest.

III.

THE PHRASE "INTENT NOT TO RESUME" AS USED IN THE DEFINITION OF TRADEMARK ABANDONMENT IN THE LANHAM ACT, 15 U.S.C. §1127, MEANS "INTENT NOT TO RESUME USE WITHIN THE REASONABLY FORESEEABLE FUTURE", RATHER THAN THE SEVENTH CIRCUIT'S STANDARD OF "INTENT NEVER TO RESUME USE".

The Seventh Circuit agreed that BERRIE established a *prima facie* case of abandonment under the Lanham Act, 15 U.S.C. §1127, based on ROULO's failure to use her trade dress for more than two years, but concluded that the presumption may be rebutted by evidence "explaining the nonuse *or* demonstrating the lack of an intent *not* to resume use" (A-8) (emphasis added). The court says that requiring evidence of "an intent not to resume" use is different from and preferable to proving an "intent to abandon," but seems to have applied the latter standard when it accepted, as ROULO's evidence of an intent to resume use, her testimony that she would have marketed the FS cards if the TY cards had not been developed.

Even the trial judge found "no manifestation of any intent, insofar as the line in question is concerned, to commercially exploit the line"; but refused to direct a verdict on this issue because he felt, relying on the district court's opinion in *Silverman v. CBS, Inc.*, 666 F. Supp. 575 (S.D.N.Y. 1987), that the filing of this suit was alone sufficient evidence of an intent to resume use. The Second Circuit in *Silverman*, however, reversed the district court and said: "challenging infringing uses is not use . . . ." *Silverman v. CBS, Inc.*, 870 F.2d 40, 47-48 (2d Cir.), *cert. denied*, 109 S. Ct. 3219 (1989). Presumably, the Seventh Circuit agreed with the Second Circuit on this point because it made no mention of this facet of ROULO's argument.

Giving effect to ROULO's reason for nonuse conflicts with the Second Circuit's decision in *Silverman*. There, CBS asserted that it always intended to resume using the "Amos 'n' Andy" marks at some point in the future, should the social climate become more hospitable. But, like ROULO, CBS had no plans to use the marks within the foreseeable future. Thus, the *Silverman* court found abandonment.

The *Silverman* court concluded that the proper interpretation of the phrase "intent not to resume" in the Lanham Act, 15 U.S.C. §1127, meant intent not to resume use within the reasonably foreseeable future, not intent *never* to resume use. The court pointed out that an intent never to resume use would be virtually impossible to establish since even after prolonged nonuse and without any concrete plans to resume use, a company could almost always assert truthfully that at some point should conditions change, it would resume use.

Here, ROULO had prolonged nonuse—over seven years at the time of trial. During those seven years, she had published an unsuccessful book, marketed a second totally different card line, designed other greeting card lines which she offered to several manufacturers, and ultimately went out of the greeting card business in 1983. At no time during those seven years did ROULO take any steps or make any plans to resume use of the trade dress at issue. In fact, ROULO never testified that she ever intended to resume use. She merely sought to explain her nonuse. In short, ROULO never established an intent to resume use in the foreseeable future.

There is a public interest in guarding against depleting the availability of ideas, terms, designs or symbols available for use as trademarks. The abandonment doctrine is one method of maintaining such availability. The other



method of maintaining such availability is the Lanham Act's system of registering marks.

To keep a registered mark in force, a registrant has an affirmative duty in the sixth year and in the tenth year of registration to file affidavits showing current use or that nonuse is excused and not due to an intention to abandon. 15 U.S.C. §§1058(a) and 1059(a). These requirements encourage active use of marks and eliminate deadwood from the registers of the Patent and Trademark Office. The recent enactment of the Trademark Revision Act of 1988, including a provision shortening the renewal term from 20 to 10 years, signifies Congress' intent to further the policy of removing unused marks from the registers.

The Seventh Circuit's application of the abandonment provisions of the Lanham Act to ROULO's unregistered trade dress runs counter to this public policy. Active use of a trade dress is not encouraged; it is discouraged. Deadwood is not removed from the registers or commercial stream, it is kept hidden in the forest.

The irony of this case is that it rewards ROULO for not using her trade dress and choosing to forego registration. ROULO was able to obtain protection and monetary relief that are unavailable to a trademark registrant. For doing nothing save filing and prosecuting this suit, ROULO received the entire benefits of BERRIE'S investment, distribution and sales. She spent nothing for marketing, promotion or distribution of the FS greeting cards, and she avoided the costs of registration or maintenance of the registration in the trade dress (which at the very least would have given BERRIE and the rest of the public notice of her claim to a trade dress, as well as a clear picture of the *nature* of the claimed trade dress; see *Unital, Ltd. v. Sleepco Mfg., Ltd.* 627 F. Supp. 285, 291-92

[W.D. Wash. 1985]). In addition, she remained silent for almost two years until the filing of this lawsuit while BERRIE developed a new design, developed new and admittedly uncopied messages, and marketed, distributed and sold \$2.1 million worth of the TY cards. If ROULO had a registered mark, she would have been clearly barred under 15 U.S.C. §1111 from any monetary relief at least until the filing of the suit, since she gave no notice of her trademark rights before suit.

The traditional trademark interest and the purpose of the Lanham Act is to secure to the owner of a mark or trade dress the good will of his business and to protect the ability of consumers to distinguish among competing producers. *Park 'N Fly Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 105 S. Ct. 658 (1985). This purpose was not served here. There was no business being conducted, much less good will related to it, no competing producers, and no confused consumers.

Moreover, where the allegedly infringing use is, as in this case, a work of artistic expression, the traditional trademark interest is diminished by the First Amendment consideration against inhibiting free expression. This is particularly true where the proprietor elects, as did ROULO here, to withdraw public dissemination of the work with which the mark or trade dress is associated. *Silverman v. CBS, Inc.*, 870 F.2d 40, 48-49 (2d Cir.), *cert. denied*, 109 S. Ct. 3219 (1989). It is also particularly true where, as here, the alleged mark or trade dress is not clearly identified, since in such a case the line between trade dress protection and free expression is blurred beyond recognition.

In determining the outer limits of trade dress protection, the Seventh Circuit should have taken into account this diminished public interest in protecting ROULO's



trade dress and denied trademark protection as a matter of law. Instead, the Seventh Circuit, like ROULO and the trial court, never identified the trade dress and failed to give weight to the seven years of nonuse and the absence of passing off, actual confusion, diversion of trade, and actual damage. While the court speaks of confusion in the marketplace, this confusion is based on what the court speculated would have happened had ROULO desired to market her cards. But ROULO did not market them, and the court's speculation is not a proper substitute for this critical absence of any commercial activity. The court also relied on what it characterized as BERRIE's "intent to imitate," but trademark law should not "prevent competitors from making pleasing substitutes" for a producer's brand." *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 340 (7th Cir. 1985).

The decision here encourages a disturbing trend which can have serious implications in the business community. Although ideas, concepts, even subject matter of expired patents (*Clamp Manufacturing Company v. Enco Manufacturing Company*, 870 F.2d 512 [9th Cir. 1989]), may seem available for use and copying, one adopting such material may nevertheless be subject to liability for "trade dress" infringement. Any nonfunctional feature or combination of functional or nonfunctional features appears to be fair game for trade dress protection without warning. Moreover, the traditional requirement of use to maintain a trade dress appears to have been cast aside. Section 43(a), 15 U.S.C. §1125(a), is becoming a haven for those who wish to obtain broad undefined monopoly protection for designs, concepts and ideas, rather than the better-defined, circumscribed and limited protection provided by a patent, copyright or federal trademark registration. This amorphous federal misappropriation doctrine will cause un-

certainty and will discourage investment, impede competition and the free flow of ideas, both new and old. It will unjustly enrich those who, as ROULO here, seek to invest in litigation, rather than in the marketplace.

For the foregoing reasons, the trade dress count of the plaintiff's complaint should have been dismissed and the jury's special verdict finding no abandonment should have been vacated as a matter of law. The Supreme Court should grant certiorari to define the proper legal standard for trademark and trade dress abandonment, as applied by the Second Circuit in *Silverman*.

## CONCLUSION

---

For the foregoing reasons, the Writ of Certiorari should be granted.

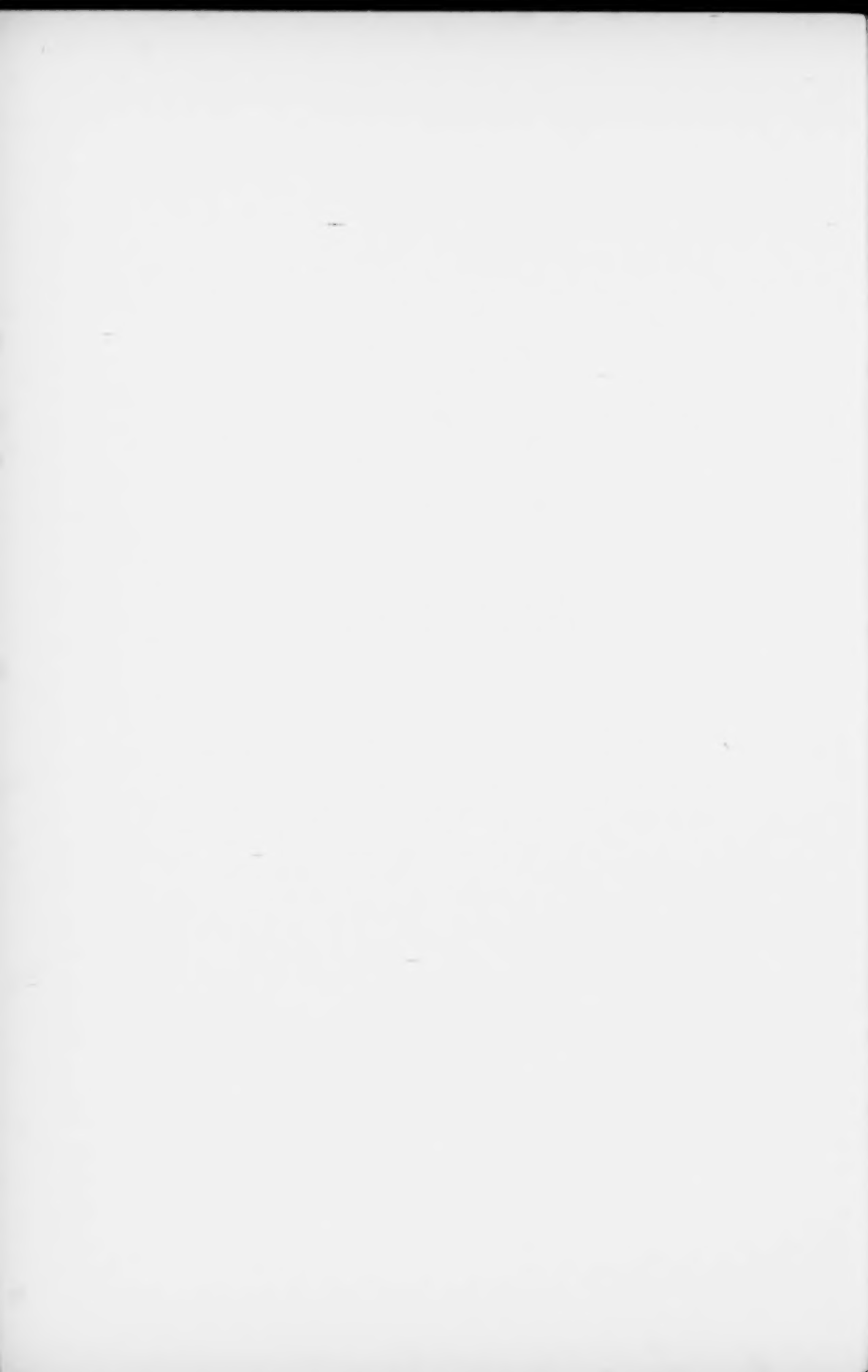
Respectfully submitted,

CHARLES A. LAFF  
LARRY L. SARET  
LAWRENCE R. ROBINS  
LAFF, WHITESEL, CONTE  
& SARET  
401 North Michigan Avenue  
Suite 2000  
Chicago, Illinois 60611  
(312) 661-2100

*Attorneys for Petitioner*



# **APPENDICES**



A-1

## APPENDIX A

---

IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE SEVENTH CIRCUIT

---

Nos. 88-2270 and 88-2600

GEORGIA LEE MILLER ROULO,

*Plaintiff-Appellee, Cross-Appellant,*

*v.*

RUSS BERRIE & CO., INC.,

*Defendant-Appellant, Cross-Appellee.*

---

Appeal from the United States District Court  
for the Northern District of Illinois, Eastern Division.  
No. 82 C 2668—Charles P. Kocoras, *Judge.*

---

ARGUED JUNE 5, 1989—DECIDED OCTOBER 2, 1989

---

Before CUMMINGS, WOOD and RIPPLE, *Circuit Judges.*

CUMMINGS, *Circuit Judge.* Defendant, Russ Berrie & Co., Inc. (Berrie), appeals from a judgment entered on a jury verdict of \$4.3 million in favor of plaintiff, Georgia Lee Miller Roulo (Roulo), for infringement of her copyright and trade-dress rights in a greeting card line known as "Feeling Sensitive" (FS) cards. Roulo's FS cards are single-faced greeting cards with engraved sentimental messages appropriate for holidays and other emotional occasions. She first introduced her FS cards in July 1977 and promoted them herself until October of 1977, when she

began negotiations with Berrie for a distribution agreement. The parties entered into a two-year contract under which Berrie would exclusively manufacture, distribute and sell FS cards, remitting 10% of the sales receipts to Roulo as compensation for the use of her cards, while Roulo retained the ownership of her copyright and trade dress.

The FS cards were sold by Berrie pursuant to the agreement from approximately April 1978 to April 1980. Roulo indicated in late 1979 that she did not intend to renew the contract, prompting Berrie to begin development of a comparable greeting card line to be known as "Touching You" (TY) to substitute for the lost FS product, which it introduced in July 1980 at the Chicago Gift Show. Roulo observed the TY line at the Chicago Gift Show where she was also promoting another line of greeting cards. This suit for infringement of her FS line under the Lanham (15 U.S.C. § 1051, *et seq.*) and Copyright Acts (17 U.S.C. § 101, *et seq.*) was filed in April 1982.

Roulo's action was tried to a jury in a bifurcated trial of liability and damages. The jury returned a verdict in her favor under both the Lanham and Copyright Acts, awarding Roulo \$4.3 million in damages based on Berrie's profits from the TY line. Berrie has launched an exhaustive attack on the jury's verdict and the district judge's rulings on pre-trial and post-trial motions. Roulo has cross-appealed from the district judge's denial of attorney's fees.

Since Berrie's challenges on appeal inextricably involve the visual appearance of the two greeting card lines, and indeed a display of each was presented to the jury for a side-by-side comparison, a detailed description of each is necessary and black and white reproductions of the cards are appended to this opinion. Roulo's FS cards are beige, single-face (no fold) cards containing sentimental verses and frequently using ellipses written in Roulo's handwriting with brown ink. An example of a verse reads: "I want to shout and tell the world how much I love you . . . but instead I'll just . . . whisper." Flanking the message on the left and right borders are a series of four

stripes, two silver foil stripes enveloping one brown and one colored stripe in the middle. The FS cards are displayed in a four-sided freestanding rotating rack, each side containing eight cards of the same colored stripe displayed vertically. At the top of the rack is a removable header bearing a sketch of Roulo's likeness, her name, and the words "'Feeling Sensitive'. . . A lost and found department for those with feelings. . . in search of the words.'" The backs of the FS cards indicate that the verses are taken from Roulo's book "I'll See You Sometime . . . Between Now and Soon." Each card was priced at eighty cents.

The TY cards are designed for occasions similar to the FS line, employing like, although not identical, sentimental verses. The TY cards are identically sized and priced, single-face cards on cream paper with cursive written messages in brown ink. The cards combine two stripes of color on the left side and one colored stripe on the right side, none of which are in foil. A colored foil butterfly is superimposed on the left stripes. The TY cards were also displayed in a four-sided, 32-card rack with each side displaying a single color scheme.

# I.

## TRADE-DRESS INFRINGEMENT

"Trade dress" refers to the total image of a product, including features such as "size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983). An infringement of the trade dress is proven if: (1) the plaintiff's trade dress is inherently distinctive or has acquired secondary meaning, (2) the plaintiff's trade dress is primarily non-functional, and (3) the defendant's trade dress is confusingly similar, engendering a likelihood of confusion in the marketplace. *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974, 978 (11th Cir. 1986), certiorari denied, 481 U.S. 1041. As an affirmative defense, the alleged infringer may demonstrate that the



trade dress has been abandoned. Prima facie evidence of abandonment is established by nonuse of the trade dress for two years, shifting the burden of production to the trade-dress owner to explain the nonuse or establish the existence of an intent to resume use. *Exxon Corp. v. Humble Exploration Co., Inc.*, 695 F.2d 96, 99 (5th Cir. 1983). Berrie challenges the trade-dress verdict, arguing that Roulo failed to demonstrate that her trade dress was distinctive or had acquired secondary meaning, failed to establish a likelihood of confusion between the two greeting card lines, and failed to rebut the presumption of abandonment of the greeting cards arising from their nonuse for two years.

The purpose of trademark and trade-dress protection is to enable a business to identify itself efficiently as the source of a given product through the adoption of a mark which may be in the form of a slogan, symbol, ornamental design or other visual insignia. A mark or trade dress which is fanciful, arbitrary or otherwise distinctive is given protection more readily than a generic or descriptive trademark or trade dress that is functional since appropriation of generic words, marks or dress would prevent producers from accurately describing or denoting the quality or content of their goods. *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 609 (7th Cir. 1986). Hence common words necessary to describe the goods in question such as "greeting card" or a trade-dress element such as an envelope for a greeting card are not capable of appropriation, at least not in the absence of extraordinary evidence indicating secondary meaning, *i.e.*, that the common features have come to denote a single producer in the minds of the consuming public. It is therefore easier to secure protection for a fanciful mark or trade dress such as "Twinkie" than a more suggestive or descriptive mark such as "M-TV". When a trademark or trade dress is inherently distinctive or fanciful, it is unnecessary to make the further showing that the mark or dress has become associated with a single producer. *Blau Plumbing*, 781 F.2d at 608; *AmBrit*, 805 F.2d at 979. If the mark

is not distinctive such that a showing of secondary meaning is required, it is not necessary that the public be aware of the identity of the producer, but simply that the public associate the mark or dress with a single source. *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 856 (7th Cir. 1982).

Here Berrie asserts that Roulo has failed to demonstrate that the elements of her trade dress are distinctive or have acquired secondary meaning. Specifically, Berrie contends that Roulo's cards incorporated several common features such as stripes, dots, handwriting and other common design elements which are indigenous to all greeting cards and do not represent a trade-dress element capable of protection. To establish her claim of distinctiveness, Roulo introduced testimony of Sally Hopkins, a Hallmark cards curator, who testified that she was unable to find any cards in their collection from this century containing the same combination of elements as used in the FS line. In the alternative, Roulo introduced as evidence of secondary meaning the fact that her name and likeness appeared on the header to the rack displaying the cards, evidence of the success of her greeting cards as revealed by letters written to Berrie inquiring about Roulo's book of verse, an article in Greetings Magazine featuring her card line, and testimony by Berrie that her cards were as unusual as those of Boynton and Davis, other famous card designers. Roulo was also given 10% of sales, the highest percentage share of the sales receipts ever agreed to by Berrie for any card designer.

In order to undermine Roulo's evidence, Berrie simply asserts that Roulo failed to offer any evidence to demonstrate that her cards had acquired secondary meaning. Although Roulo did not offer any empirical evidence that consumers identified her trade dress with the Roulo name, there was certainly adequate evidence to allow the jury to conclude that Roulo's FS cards were distinctive. The adequacy of this evidence is augmented by Berrie's admission that the TY line was modeled after Roulo's FS cards once it was clear that Roulo would not renew her

contract with Berrie. The fact that Berrie gave Roulo one of the highest commissions for her cards is also strong evidence that her line was unique. The fact that her cards incorporated common, indistinct elements such as lines and handwriting does not refute the fact that Roulo's combination of these elements was sufficiently unique to warrant trade-dress protection. Trade dress encompasses the overall appearance of a product, including its size, color or color combinations, texture, graphics, packaging or other visual features. *Hartford House, Ltd. v. Hallmark Cards, Inc.*, 846 F.2d 1268, 1271 (10th Cir. 1988), certiorari denied, 109 S.Ct. 260. Roulo did not offer as much evidence on the secondary meaning of her cards as on their distinctiveness, no doubt since it is easier to show the cards are unique than to poll greeting card consumers on whether they identify the FS cards with a single source. However, secondary meaning is not necessary where the trade dress is distinctive.

Once a trade dress is found to warrant protection, the plaintiff must establish that defendant's trade dress is sufficiently similar to create the likelihood of confusion between the two greeting card lines. In assessing the likelihood of marketplace confusion, the factors to be considered include the similarity of the trade dresses, the products to which the trade dresses are attached, the area and manner of concurrent use, the degree of care likely to be exercised by consumers, the strength of the plaintiff's trade dress, and the actual confusion and intent on the part of the alleged infringer to pass off the infringer's goods as those of the plaintiff. *International Kennel Club v. Mighty Star, Inc.*, 846 F.2d 1079, 1087 (7th Cir. 1988). Berrie contends that the sole evidence of a side-by-side comparison at trial was insufficient to establish the existence of marketplace confusion. In addition, Berrie argues that its use of its own name on the header of the display rack demonstrates a lack of intent to infringe and militates against a finding of likelihood of confusion.

Although side-by-side comparison is only one factor to be considered in evaluating the likelihood of confusion, the

similarity in this instance is striking. The cards in each line are identically sized with handwritten messages containing ellipses in brown ink flanked by colored stripes imprinted on beige or cream-colored textured paper. The two lines of cards are displayed in identical racks (the TY rack is brass-toned and the FS rack is silver-toned) in four vertical rows of eight cards bearing the same color but varying messages for a total of thirty-two cards.

In an attempt to accentuate the dissimilarities between the two card lines, Berrie points out that the TY line uses a foil butterfly and no foil stripes and the header on the display rack bears the name "Touching You" and identifies Berrie as the source of the cards. A side-by-side comparison, however, reveals that these differences are easily overlooked, especially given that the marketing channels for greeting cards do not promote a careful analysis of the product prior to purchase as indicated by Berrie's testimony that the cards were impulse purchase items. Berrie argues that the side-by-side comparison should not be given an inordinate amount of weight. However, where the trade dress relates to the same products which are sold side by side in retail channels, a direct visual comparison is appropriate, *AmBrit, supra* ("Klondike" and "Polar B'ar" brand ice cream bars), even though such a comparison may be inappropriate where a similar trade dress or mark is used on dissimilar products. *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266 (7th Cir. 1976) ("Beefeater" used on restaurant sign and gin).

To further add to the confusion in the marketplace, Berrie's TY cards were sold through the same retailers as Roulo's FS line had been under her contract with Berrie. Had Roulo desired to market her FS cards through these retailers, the FS cards would have been displayed along with other greeting cards somewhere near the TY cards. The substantial visual similarity between the cards cannot be underestimated given that these cards are impulse purchase items likely to be marketed near each other at a price less than one dollar, discouraging much thoughtful research before purchase.

There was also sufficient evidence from which the jury could have discerned an intent to imitate Roulo's FS cards. Given the myriad of artistic expressions which could have been chosen for Berrie's greeting cards, the near identity of their appearance is itself strong evidence of copying. In addition, Berrie testified that once Roulo indicated that she would not renew her contract, Berrie began work on a card line to replace the FS cards to fit into the FS display with verses "a la Feeling Sensitive," the name of Roulo's line.

The strength of a particular trade dress relates in part to its uniqueness. As evidence of the strength of the FS trade dress, in addition to the other testimony, Bill Dawson, Berrie's Vice President of Marketing, testified that the FS line of cards was the "finest sensitive verse greeting card line ever released." Thus, even absent the difficult-to-acquire evidence of actual confusion, there was adequate evidence for the jury, over and above the side-by-side comparison, to determine that the public was likely to confuse the two card lines.

Of slightly more merit is Berrie's assertion that Roulo abandoned her trade dress. After Roulo's contract with Berrie ended in April of 1980, she did not attempt to market the FS cards again but instead sought to publish a book of verse in the spring of 1980 which proved unsuccessful. Upon the termination of her contract with Berrie, Roulo was entitled, but declined, to receive the lists of distributors who had carried the FS cards and to receive any unsold inventory of the cards at Berrie's cost. At the Chicago Gift Show in the summer of 1980, Roulo had brought a new line of emotional verse cards to market when she discovered Berrie's TY cards. Later in January of 1981, Roulo released this new line of emotional verse greeting cards and marketed them until 1983.

A prima facie case of abandonment was established by Roulo's failure to use the FS trade dress for more than two years. 15 U.S.C. § 1127. However, this presumption may be rebutted by evidence explaining the nonuse or demonstrating the lack of an intent not to resume use.



*P.A.B. Produits Et Appareils de Beaute v. Satinine Societa in Nome Collettivo di S.A. e. M. Usellini*, 570 F.2d 328, 334 (C.C.P.A. 1978); *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1396 (9th Cir. 1985); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 535 (2d Cir. 1964). Some courts require the owner of the trade dress not used for over two years to demonstrate the intent to resume use. *AmBrit*, 805 F.2d at 994; *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 102-103 (5th Cir. 1983); *Silverman v. CBS, Inc.*, 870 F.2d 40, 46 (2d Cir. 1989). Other courts require the owner to prove the presumably lesser showing of the absence of an intent to abandon. *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675 (C.C.P.A. 1971); *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980). We think the proper approach is to require evidence to demonstrate the intent not to resume use. This reading comports with the language of the statute and the seeming intent of Congress to prevent hoarding of trademarks where the owner has no intent to abandon, although no intent to resume use of the trademark within the reasonably foreseeable future. Intent to abandon connotes a permanent intent not to resume use which would be virtually impossible to prove. Our interpretation is consistent with the legislative history indicating that Congress substituted the present phrase "intent not to resume use" for the phrase "intent to abandon". See *Silverman*, 870 F.2d at 46. As noted in *Exxon*, this distinction is pivotal where the trademark or trade-dress owner is attempting to "hoard" the mark or dress with no intent to resume meaningful commercial use. *Exxon*, 695 F.2d at 102-103.

However, in contradiction to defendant's contention that the plaintiff must also bear the burden of persuasion on this affirmative defense, the owner of the trademark need only produce evidence to rebut the presumption while the ultimate burden of persuasion rests on the defendant. *Silverman*, 870 F.2d at 47 ("A proprietor who temporarily suspends use of a mark can rebut the presumption of abandonment by showing reasonable grounds for the sus-

pension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate."'). Therefore it was not erroneous to refuse to give Berrie's proposed instruction No. 37 which would have placed the burden of proof on Roulo. The trial judge properly instructed the jury that the defendant must prove by a preponderance of the evidence that plaintiff abandoned the FS trade dress, that abandonment is found when use has been discontinued with intent not to resume use, and that such intent may be presumed from nonuse for two consecutive years. Finally, the judge instructed: "The purely subjective intention in the owner's mind to reengage in a former enterprise at some further time is not, standing alone, sufficient to avoid abandonment." (Tr. 982).

As evidence of her intent to resume use within the reasonably foreseeable future, Roulo testified that she would have marketed the FS cards if the TY cards had not been developed. She cites her presence at the 1980 Chicago Gift Show as evidence of this intent. Berrie weakly contends that Roulo's failure to begin marketing her FS cards immediately or to purchase the remaining inventory indicates an intent not to resume use. Given that the evidence is meager on either side of the issue, the jury's special verdict that Roulo did not abandon her trade dress is not against the weight of the evidence. It was within the jury's prerogative to credit plaintiff's testimony against abandonment.

## II.

### COPYRIGHT INFRINGEMENT

To demonstrate an infringement of Roulo's copyright, Roulo must establish: (1) that she owns the copyright in question; (2) that Berrie had access to the copyrighted work; and (3) that there was substantial similarity between the two works. *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607, 614 (7th Cir. 1982), certiorari denied, 459 U.S. 880. Defendant concedes

the existence of the second element of the test but challenges the sufficiency of the evidence on the scope of Roulo's copyright and the jury's finding of substantial similarity between the two card lines. Roulo owns a registered copyright in the FS cards themselves as well as in a display header bearing her likeness, although she used a different, but similar, header than the one registered. Berrie claims that the material subject to copyright protection did not include the display rack, the pattern in which the cards were displayed, the header actually used and the price. Consequently, Berrie claims the judge erred in refusing to instruct the jury to render separate damage awards and in commenting that the trade dress and material protected by copyright were the same.

In *Atari*, this Court examined the idea/expression dichotomy in the context of video games to determine which elements of the Pac-Man video game were expression, subject to protection, rather than ideas which are in the public domain. In so doing, this Court stated that dissection of the subject matter into copyrighted and unprotected elements is generally rejected in favor of examining the "total concept and feel" of the copyrighted work. *Atari*, 672 F.2d at 614. The Court cautioned that while such dissection was not appropriate, the substantial similarity inquiry must "take into account that the copyright laws preclude appropriation of only those elements of the work that are protected by the copyright." Such dissection is inappropriate since the substantial similarity inquiry is conducted from the perspective of the "ordinary observer" who "unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same." *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960).

As discussed above, the two card lines are strikingly similar in appearance. Further, the jury's finding of substantial similarity is buttressed by the evidence that Berrie patterned the TY cards after Roulo's cards. Berrie insists that the jury was allowed to consider elements of



similarity unprotected by copyright laws, such as the size of the cards, the color of the paper, ink, and border designs, the general concept of stripes, the ellipses and the single-side format. While it is true that these elements are not individually capable of protection, just as individual words do not deserve copyright protection, it is the unique combination of these common elements which form the copyrighted material. The district court correctly instructed the jury by adopting the defendant's proposed instruction that the common elements noted above are not copyrightable, adding that "[t]he combination of these elements in an arrangement or layout is entitled to copyright protection, however, if you find that arrangement or layout to be original and unique." (Instruction No. 3). Defendant fails to acknowledge that its TY cards not only used the same unprotectable elements as the FS cards, but also used them in a format nearly identical to that used by the FS cards. It cannot be disputed that Berrie could have produced a non-infringing card with colored stripes, but Berrie used similar stripes flanking the verse on both the left and right side from top to bottom just as the FS cards did. The color of paper is unprotected, yet the TY cards are printed on a nearly identical beige paper. The use of cursive writing is also a common element as well as the brown ink used, yet TY cards, out of the entire range of colors and handwritings available, chose brown ink and a similar cursive writing. The minute differences which Berrie painstakingly incorporated to prevent a mirror image copy of FS cards are insignificant in light of the nearly identical composition and appearance used in both card lines. Berrie's contention that there is no support in law for the proposition that a compilation of common elements is subject to copyright protection is ridiculous. "[C]ards, considered as a whole, represent a tangible expression of an idea . . . . Greeting cards are protected under 17 U.S.C. § 5(a) or (k) as a book (citations omitted). They are the embodiment of humor, praise, regret or some other message in a pictorial and literary arrangement." *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970). Of course Roulo could not copyright the use of

beige paper for greeting cards. Her copyright is in the artistic combination of all the common elements in the previously described design. There was ample evidence for the jury to find substantial similarity and the jury was properly instructed as to which elements were subject to copyright protection.

Berrie also contends that the district judge erroneously excluded an expert witness, a copyright lawyer, from testifying on the scope of protection to be afforded Roulo's copyright. Presumably the expert would have testified that the only material subject to copyright was the verse of the FS cards—which was not copied—and not the design of the cards as a whole. As previously noted, greeting cards have been held to be proper subjects of copyright as literary and pictorial compositions. *Roth*, 429 F.2d at 1110. The court correctly instructed the jury on which elements were subject to copyright protection without the assistance of the expert. There was no error in excluding this expert testimony.

### III.

#### DAMAGES

##### A. Merger of Trade-Dress and Copyright Claims

Berrie's barrage of challenges continues in its contention that the district judge committed reversible error by equating the subject matter protected by Roulo's copyright with the material cognizable under Roulo's trade dress infringement claim under the Lanham Act, although the jury was instructed individually and rendered separate verdicts as to liability under each Act. In so doing, Berrie asserts that features of Roulo's FS cards that were unprotected under copyright law but cognizable in a trade-dress infringement claim were considered by the jury in determining whether an infringement under either claim occurred. Specifically, Judge Kocoras explained: "Under the unique facts of this case, the protected copyright material is the same thing as the trade dress." Although the jury rendered separate verdicts in favor of the plaintiff on the

trade dress and copyright liability claims, the jury assessed a single damage award. The district judge committed no error in instructing the jury to render a single verdict on damages since both the Lanham Act and the Copyright Act provide for the same measure of damages under like circumstances. Under each Act, the plaintiff is required to present proof of the infringer's gross revenues, with the burden on the infringer to establish any deductions for expenses or to demonstrate that the profits introduced by the plaintiff were either "attributable to factors other than the copyrighted work," 17 U.S.C. § 504, or not attributable to infringing use under the Lanham Act. *Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582, 586 (5th Cir. 1980); 15 U.S.C. § 1117.

Berrie also contends that the district court should have directed a verdict against the recovery of profits under the Lanham Act because Roulo failed to demonstrate any actual damages, confusion, competition between the parties or wilfulness on the part of Berrie. The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity. As stated by this Court, "The trial court's primary function is to make violations of the Lanham Act unprofitable to the infringing party." *Otis Clapp & Son, Inc. v. Filmore Vitamin Co.*, 754 F.2d 738, 744 (7th Cir. 1985). Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer wilfully infringe the trade dress to justify an award of profits. See, e.g., *Baker v. Simmons Co.*, 325 F.2d 580 (1st Cir. 1963), certiorari denied, 382 U.S. 820. Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation. *Maltina*, 613 F.2d at 584-585, *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 123-124 (9th Cir. 1968), certiorari denied, 391 U.S. 966. The case of *Schutt Manufacturing Company v. Riddell, Inc.*, 673 F.2d 202, 206 (7th Cir. 1982), cited by defendant addresses an award of plaintiff's damages based on plaintiff's actual losses rather than on defendant's profits. Where plaintiff seeks an award of

damages, plaintiff must show that defendant's infringement caused those losses. Here, however, an award of profits was appropriate under either a deterrence or unjust enrichment theory even if plaintiff's actual sustained losses may have been less. Given the evidence of intentional imitation and the substantial similarity between the two card lines, the district judge's decision to instruct the jury that an award of profits would be appropriate was not an abuse of discretion.

In order to sustain her burden to demonstrate the amount of profits secured through sales of the infringing greeting cards, Roulo introduced expert testimony of John Moran, a Certified Public Accountant, who testified that Berrie's sales receipts of TY cards were \$5.9 million and that the direct cost of producing the cards was \$945,000. In order to meet its burden of proving all deductions from profits, defendant's witnesses, Steven Willis and A. Curtis Cooke, testified that incremental profits were only \$2.9 million and that the amount of profits properly attributable to the protected elements after deductions for costs was \$38,601. The jury was free to reject this calculation based on cross-examination testimony that documents evidencing the alleged operating expenses for certain years were lost in a fire and based on Berrie's general inability to substantiate his deductions. In addition, Berrie's witness, Willis, improperly deducted certain administrative expenses without demonstrating they were variable costs. Fixed costs are not deducted from the profit calculation.

Berrie also argues that the jury was not free to ignore his evidence apportioning profits between the infringing and non-infringing elements of the cards as required under 17 U.S.C. § 504(b). Berrie's evidence indicated that the infringing elements of the TY cards contributed to only \$38,601 in profits using Berrie's gross profit figure, or \$65,645 using Roulo's gross profit figure. An infringer is entitled to an apportionment when "the evidence is sufficient to provide a fair basis of division so as to give the copyright proprietor all the profits that can be deemed to have resulted from the use of what belonged to him." *Sheldon*

*v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 402. The burden of proving an apportionment is on the defendant. *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 518 (9th Cir. 1985). The jury's verdict of \$4.3 million rather than the entire \$5 million proposed by the plaintiff is evidence that the jury either apportioned the award or accepted some of Berrie's other deductions. Given that Berrie appropriated the "total concept and feel" of Roulo's cards, rather than a few distinct protected elements, the jury's failure to accept defendant's suggested apportionment is not against the weight of the evidence.

#### B. Laches

As a final matter, Berrie contends that Roulo's recovery of profits should be barred by the equitable doctrine of laches due to her 21-month delay in filing this action after learning of the TY card line. Berrie asserts that it has established that: (1) Roulo had knowledge of the use of her trade dress or copyrighted material; (2) Roulo inexcusably and unreasonably delayed in filing this action; and (3) Berrie relied to its detriment and was prejudiced by Roulo's delay. *The Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 674 (7th Cir. 1982). A two year delay in filing an action following knowledge of the infringement has rarely been held sufficient to constitute laches. *Piper Aircraft Corp. v. Wag-Aero, Inc.*, 741 F.2d 925, 933 (7th Cir. 1984). Roulo explained that her delay in filing was due to her inquiry into the facts of the case to determine the merit of her claim against Berrie. Berrie has not cited any conduct to indicate that it actually relied to its detriment on Roulo's failure to bring suit sooner except for the actual marketing of the TY cards. Since Berrie began its promotion of the TY cards prior to any knowledge of Roulo or her purported acquiescence, Berrie cannot assert that its distribution of the TY line was made in actual reliance on Roulo's conduct. The jury's verdict was not against the weight of this evidence.



### C. Attorney's Fees

Roulo claims that the district judge erroneously denied her attorney's fees under both the Lanham and Copyright Acts. The Lanham Act provides that attorney's fees may be awarded "in exceptional cases." This language apparently was intended to allow the recovery of fees "in infringement cases where the acts of infringement can be characterized as 'malicious,' 'fraudulent,' 'deliberate,' or 'willful.'" S.Rep. No. 1400, 93d Cong., 2d Sess. 2, reprinted in 1974 U.S. Code Cong. & Admin. News 7132, 7133. This Circuit has interpreted this section to require a finding of wilful infringement. *Hairline Creations, Inc. v. Kefalas*, 664 F.2d 652, 657-658 (7th Cir. 1981). We agree with the district court that this was not an exceptional case warranting an award of attorney's fees. Berrie attempted to create a line of greeting cards similar to the FS line but made conscious efforts to create elements of dissimilarity, although the dissimilarities were not sufficient in this case.

The Copyright Act also allows the award of attorney's fees to the prevailing party in the discretion of the court. 17 U.S.C. § 505. Attorney's fees under this section have been awarded for the purposes of encouraging the assertion of colorable copyright claims, deterring infringement, and making the plaintiff whole. *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 321 (9th Cir. 1987).

The district judge awarded costs to Roulo but denied attorney's fees under either Act on the basis that Berrie's conduct was not "flagrant" and that plaintiff received a substantial and considerable award of profits, such that an award of attorney's fees would be an unwarranted windfall to the plaintiff. This Court has determined that a finding of wilful copyright infringement will support an award of attorney's fees, although wilfulness is not necessarily a prerequisite. *International Korwin Corp. v. Kowalczyk*, 855 F.2d 375 (7th Cir. 1988), and cases cited therein. The Copyright Act is silent on the circumstances that warrant a fees award and the circuit courts are not in agree-

ment on this issue. Some courts require a finding of bad faith or frivolousness. *Jartech, Inc. v. Clancy*, 666 F.2d 403 (9th Cir. 1982), certiorari denied, 459 U.S. 826, 879; *Del Madera Properties v. Rhodes and Gardner, Inc.*, 820 F.2d 973 (9th Cir. 1987). Others award fees routinely to the prevailing party, especially to the plaintiff to encourage the assertion of colorable claims. *Diamond v. Am-Law Publishing Co.*, 745 F.2d 142, 148 (2d Cir. 1984); *The Micromanipulator Co. v. Bough*, 779 F.2d 255, 259 (5th Cir. 1985).

The district judge declined to award fees due to Berrie's lack of wilfulness and in light of the magnitude of the award of profits. Based on these considerations he did not abuse his discretion under any of the above rationales. Plaintiff secured an award of profits significantly greater than she would have received if she had renewed her contract with Berrie and perhaps more than she would have made if she had independently marketed the FS cards following the expiration of her contract with Berrie. Attorney's fees were not necessary to compensate the plaintiff and the defendant was sufficiently deterred by the substantial award of profits. Awarding fees to the plaintiff under these facts would serve only to sanction the defendant which is inappropriate where the infringement was not wilful.

The decision of the district court is affirmed, and the cross-appeal is dismissed.

APPENDIX

I want to shout  
and tell the  
world how much  
I love you...  
but instead  
I'll just...  
whisper.

(Roulo card)



I don't want to wonder  
where my life  
would have gone  
without you...  
you are so important...  
to me

(Berrie card)



## APPENDIX B

---

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

---

JUDGMENT IN A CIVIL CASE

---

GEORGIA LEE MILLER ROULO

v.

Case Number: 82 C 2668

RUSS BERRIE & CO., INC.

---

- ☒ Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.
- ☐ Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED that judgment is hereby entered in favor of the plaintiff, GEORGIA LEE MILLER ROULO and against the defendant, RUSS BERRIE & CO., INC. in the amount of FOUR MILLION THREE HUNDRED THOUSAND DOLLARS (\$4,300,000.00). There being no just reason for delay, final judgment is hereby entered.

December 23, 1987  
*Date*

H. STUART CUNNINGHAM  
*Clerk*

/s/  
*(By) Deputy Clerk*

## APPENDIX C

---

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

---

GEORGIA LEE MILLER ROULO,

Plaintiff,

v.

82 C 2668

RUSS BERRIE & Co., INC.,

Defendant.

---

### MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

The defendant has moved for judgment notwithstanding the jury's verdict against it in this case, or for a new trial, or to alter or amend judgment. Virtually all of the grounds raised for the relief it seeks from the jury's award to the plaintiff have been considered at least once by the Court, and some of them have been ruled on several times. The jury's verdict was against neither the manifest weight of the evidence nor were the damages awarded, although bountiful, legally excessive.

There was plenty of evidence to permit the reasonable conclusion that the defendant's accused Touching You card line was substantially similar to plaintiff's first Feeling Sensitive line. A simple side-by-side comparison of the two card lines, a comparison the jury was exposed to every day of the trial and during its deliberations, overwhelmingly demonstrated that similarity. Neither genius nor expertise not possessed by lay jurors was necessary to the

exercise of judgment on that question. The plaintiff's cards as a whole were both copyrightable and copyrighted, and the differences in the card lines that the defendant continues to press in isolation do not alter that view.

Contrary to the defendant's contentions, the jury was instructed separately, and correctly in the Court's view, on the trade dress and copyright claims. While there may have been a merger here, it was one of damages. The elements of each cause of action were separately stated to the jury. Additionally, the jury had an evidentiary basis to conclude that the plaintiff did not abandon any of her copyright or trade dress rights in the card line of her own original creation. There was, it is true, evidence of abandonment, but the defendant's argument that the "abundant evidence of abandonment stands undenied" is simply wrong. The jury had a rational basis to disagree with the defendant's position and chose to do so.

The plaintiff had a statutory right to the defendant's profits from the accused line of cards under both the copyright and trade dress counts. She chose to rely on that remedy rather than any actual damages she may have suffered. The jury's award did not exceed those profits less appropriate costs, yet the defendant says it is manifestly unjust to award the plaintiff 75% of the defendant's total sales. The defendant's complaint is basically with Congress and not with a jury that did what Congress said it could lawfully do.

What happened here, and what the jury obviously concluded happened here, is that the defendant appropriated for itself the plaintiff's original, distinctive and highly successful card line after the marketing agreement between the plaintiff and defendant ended. This appropriation took the form of a substantially similar card line which the defendant successfully marketed, just as it had successfully marketed the plaintiff's line. The concept, general arrangement and make-up of defendant's Touching You card line came from the defendant's theretofore unique Feeling Sensitive Card line and, by virtue of the unlawful appropriation, the defendant was unjustly enriched.

There is no doubt that the defendant company is a terrific marketer of goods and that in the hands of another, the Touching You card line would probably not have been nearly so successful. Certainly nothing in the record suggests plaintiff would have enjoyed anywhere near the sales success had she continued to market her first Feeling Sensitive line herself or thru a licensing arrangement with another party. But the Lanham Act permits recovery of the *infringer's* profits, not somebody else's profits. Neither statutory law nor equitable principles call for the plaintiff to disgorge part, or all, of her damage award which, itself, represents disgorgement of a defendant's unjustly received profits.

The trial was conducted by able counsel on both sides before an impartial jury. Many of the positions now pressed to the Court as demonstrating a legal impediment to plaintiff's victory were pressed to the jury as demonstrating a factual impediment to plaintiff's victory. Those positions were rejected by an attentive jury. The additional assertions that the jury was incorrectly instructed in a material way is equally unavailing. While the damage award was a large one, it cannot be said to be improper under the facts and law. For these reasons, as well as those previously stated in prior rulings, the defendant's motion is denied in its entirety.

/s/ CHARLES P. KOCORAS  
Charles P. Kocoras  
United States District Judge

Dated: June 10, 1988

## APPENDIX D

---

### JUDGMENT — ORAL ARGUMENT

UNITED STATES COURT OF APPEALS  
For the Seventh Circuit  
Chicago, Illinois 60604

October 3, 1989.

Before

Hon. WALTER J. CUMMINGS, *Circuit Judge*  
Hon. HARLINGTON WOOD, JR., *Circuit Judge*  
Hon. KENNETH F. RIPPLE, *Circuit Judge*

---

GEORGIA LEE MILLER ROULO,

Plaintiff-Appellee, Cross-Appellant,

Nos. 88-2270 & 88-2600                      vs.

RUSS BERRIE & Co., INC.,

Defendant-Appellant, Cross-Appellee.

---

Appeal from the United States District Court  
for the Northern District of Illinois, Eastern Division.  
No. 82 C 2668—Charles P. Kocoras, Judge

---

This cause was heard on the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, IT IS ORDERED AND ADJUDGED by this Court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, AFFIRMED in appeal No. 88-2270 and appeal No. 88-2600 is DISMISSED in accordance with the opinion of this Court dated October 2, 1989. Costs to be borne by Russ Berrie & Co., Inc.

## APPENDIX E

---

UNITED STATES COURT OF APPEALS  
For the Seventh Circuit  
Chicago, Illinois 60604

November 9, 1989.

Before

Hon. WALTER J. CUMMINGS, *Circuit Judge*  
Hon. HARLINGTON WOOD, JR., *Circuit Judge*  
Hon. KENNETH F. RIPPLE, *Circuit Judge*

---

GEORGIA L. M. ROULO,

Plaintiff-Appellee, Cross-Appellant,

Nos. 88-2270 & 88-2600                      vs.

RUSS BERRIE & CO., INC., a New Jersey Corporation,  
Defendant-Appellant, Cross-Appellee.

---

Appeal from the United States District Court  
for the Northern District of Illinois, Eastern Division.—  
No. 82 C 2668—Charles P. Kocoras, *Judge*

---

## ORDER

On consideration of the petition for rehearing and suggestion for rehearing *en banc* filed in the above-entitled cause by Russ Berrie & Co., Inc., defendant-appellant, cross-appellees, no judge in active service has requested a vote thereon, and all of the judges on the original panel have voted to deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

## APPENDIX F

---

The Lanham Act, 15 U.S.C. §§ 1058(a), 1059(a), 1111, 1117(a), 1125(a), and 1127 provide:

**§ 1058. Duration of registration; cancellation; affidavit of continued use; notice of Commissioner's action**

(a) Each certificate of registration shall remain in force for ten years: *Provided*, That the registration of any mark under the provisions of this Act shall be cancelled by the Commissioner at the end of six years following its date, unless within one year next preceding the expiration of such six years the registrant shall file in the Patent and Trademark Office an affidavit setting forth those goods or services recited in the registration on or in connection with which the mark is in use in commerce and attaching to the affidavit a specimen or facsimile showing current use of the mark, or showing that any nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark. Special notice of the requirement for such affidavit shall be attached to each certificate of registration.

**§ 1059. Renewal of registration**

(a) Each registration may be renewed for periods of ten years from the end of the expiring period upon payment of the prescribed fee and the filing of a verified application therefor, setting forth those goods or services recited in the registration on or in connection with which the mark is still in use in commerce and having attached thereto a specimen of facsimile showing current use of the mark, or showing that any nonuse is due to special circumstances which excuse such nonuse and it is not due to any intention to abandon the mark. Such application may be made



at any time within six months before the expiration of the period for which the registration was issued or renewed, or it may be made within three months after such expiration on payment of the additional fee herein prescribed.

**§ 1111. Notice of registration; display with mark; recovery of profits and damages in infringement suit**

Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.

**§ 1117. Recovery for violation of rights**

**(a) Profits; damages and costs; attorney fees**

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment,

according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

**§ 1125. False designations of origin and false descriptions forbidden**

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

**§ 1127. Construction and definitions; intent of chapter**

In the construction of this chapter, unless the contrary is plainly apparent from the context—

\* \* \*

A mark shall be deemed to be "abandoned"—

(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

The Copyright Act, 17 U.S.C. §§ 102(a), 102(b), and 504 provide:

**§ 102. Subject matter of copyright: In general**

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works; and
- (7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, con-

cept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

**§ 504. Remedies for infringement: Damages and profits**

(a) **In General.**—Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

(b) **Actual Damages and Profits**—The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

---

